

**NKANDLA LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**for the year ended 30 June 2008**

*Perseus*

# INKANDLA LOCAL MUNICIPALITY

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## MAYOR'S FOREWORD

The Municipality, like any other sphere of government is public institution whose existence is meant to serve the public in so far as the delivery of services is concerned. Its major source of revenue is the National fiscas in the form of conditional and unconditional grants. These are public funds to be handled and accounted for responsibly.

Our Financial Statements have had to be audited in order to determine the extent to which we comply with the Municipal Finance Management Act and other relevant pieces of legislation. As a developmental local government we have to be seen to be growing in terms of understanding our obligations in terms of our financial management systems.

It is my hope that our submission of these statements will serve as an opportunity for us to learn from what we do and the issues to be raised and move away from the qualifications to a point where we all can own and take pride in the manner in which we manage our finances and our ability to account for the manner in which we spend our finances. Ultimately, our customers and partners should have confidence in our Council as an institution.

## ACCOUNTING OFFICER'S REPORT

The financial position of the Municipality is greatly improving in terms of management and accountability. However we do encounter minimal problem to our new financial management system. As a result we have sourced the services of Consultants who have performed exceptional well to make the system user friendly.

The performance of the Municipality in budgetary terms has been in line with service delivery budget implementation plan developed in the beginning of the financial year. We have been able to meet most of our targets in terms of the available budget.

The budget availability in itself is a challenge because of the nature of the Municipality which is entirely dependant on grants with little income from its residents to support service delivery and high performance. I wish to convey words of appreciation to the Heads of Departments and the entire staff compliment that have performed unnecessarily to accomplish their tasks. Budget control and implementation rest to all members of staff.

It is further worth to note the support we receive from all Councilors specifically the Mayor and his Committee who kept responsibility that is upon us to handle public funds in a responsible and accountable manner.

It is our belief that the financial statements prepared are a true reflection of expenditure in line with service delivery implementation plan adopted by Council in the beginning of the year in question.

The detailed annual report will be compiled that constitutes the total performance of the Municipality.

## TREASURER'S REPORT

### 2.1) RATE AND GENERAL SERVICES

It should be noted when comparing income for previous year and current year that the equitable share which is our main source of revenue was reduced in the year under consideration.

	Actual 2006/07 R	Actual 2007/08 R	Variance Actual Increased/ Decreased %	Budget 2007/08 R	Variance Actual/ Budget %
Income	23,423,373	18,282,816	-21.95%	29,419,941	60.92
Expenditure	28,501,131	24,256,934	-14.89%	29,419,941	21.28
(Deficit) / Surplus	(5,077,758)	(5,974,119)	17.65%	(0)	-100.00
Surplus (Deficit) as % of Total Income	-21.68%	-32.68%	50.73%	0.00%	

### 3) CAPITAL EXPENDITURE AND FINANCING

The actual capital expenditure is more than the budgeted capital projects and that is because of M/G projects for both next years and also the carry over projects.

	Actual 2007/2008 R	Budget 2007/2008 R	Actual 2006/2007
<b>Capital Expenditure</b>			
Land and buildings	1,764,843	3,100,000	1,340,689
Plant and equipment	401,173	500,000	237,000
Computer equipment	358,057	0	338,919
Furniture & equipment	72,537	0	42,176
Road construction & Taxi ranks	2,482,705	0	2,593,626
Parks & Recreation	1,509,000	1,500,000	187,378
Sundry works	228,282	681,000	155,730.89
Motor vehicles	138,052	0	1,934,694
Market Stalls	95,254	0	1,602,762
Community Hall	3,264,611	2,958,000	0
Refuse Site			
	10,305,514	8,739,000	8,432,974
<b>Financing of Fixed Assets</b>			
Municipal Infrastructural Grant		0	-
Accumulated Surplus	3,047,663	1,181,000	2,156,894
Contributions from own revenue	7,257,851	7,558,000	6,276,080
Grants and Subsidies			
	10,305,514	8,739,000	8,432,974

## ACCOUNTING POLICIES

### 1) BASIS OF PRESENTATION

- 1.1 These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1997) and Report on the Standardisation of the Financial Statements of Local Authorities (2nd Edition, January 1996).
- 1.2 The Financial Statements are prepared on the historical cost basis, adjusted for capital expenditure.  
The Accounting Policies are consistent with those applied in the previous year, except if otherwise indicated.  
Fundamental errors identified have been adjusted for and prior year restated where applicable
- 1.3 The Financial Statements are prepared on the accrual basis as stated :
  - Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as Traffic Fines and business Licenses.
  - Expenditure is accrued in the year that it is incurred.

### 2) CONSOLIDATION

The Balance Sheet includes Rates and General Services, different Funds, Reserves and Provisions. All inter departmental charges if any, are set-off against each other, with the exception of Assessment Rates and Refuse Removal which are treated as income and expenditure in the respective Departments.

### 3) PROPERTY, PLANT AND EQUIPMENT

- 3.1 *Property, plant and equipment is stated :*
  - at historical cost, or
  - at valuation (based on market price at date of acquisition), where assets have been acquired by Grant or Donation, while they are in existence and fit for use.
- 3.2 *Depreciation*

The balance shown against the heading " Loans Redeemed and Other Capital Receipts" in the notes to the Balance Sheet is tantamount to a provision for Depreciation. Apart from Advances from the various Council Funds, assets may also be acquired through :

  - appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and therefore it is unnecessary to make any further provision for depreciation
  - grants and donations, where the amount representing the value of such grant or donation is immediately credited to the " Loans Redeemed and Other Capital Receipts" account.
- 3.3 *All net proceeds from the sale of fixed assets are credited to the Revolving Fund.*

## ACCOUNTING POLICIES

### 8) INCOME RECOGNITION

#### 8.1 Assessment Rates

Assessment Rates are levied at the same tariff for the land and improvements. Rebates are granted to state bodies. Income is recognised when the annual and monthly levies are done at the beginning of the month.

#### 8.2 Refuse and other income

Refuse is levied at an approved monthly flat rate. Sundry income is accounted for on a cash receipt basis.

#### 8.3 Government and other related grants

Government and other related grants are recognised as revenue on an accrual basis and in accordance with the funding institution's annual disbursement plan as they relate to municipal statutory annual reporting period.

### 9) PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events and is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

# INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2006/2007	2006/2007	2006/2007		2007/2008	2007/2008	2007/2008	2007/2008
Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)		Actual Income	Actual Expenditure	Actual Surplus/ (Deficit)	Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
23,423,373	28,501,131	(5,077,758)	<b>RATE AND GENERAL SERVICES</b>	18,282,816	25,800,521	(7,517,706)	(16,032,152)
23,269,327	28,501,131	(5,231,805)	<i>Community Services</i>	17,956,564	25,800,521	(7,843,957)	(15,705,900)
-	-	-	<i>Subsidised Services</i>	-	-	-	-
-	-	-	<i>Trading Services</i>	-	-	-	-
154,047	-	154,047	<i>Economic Services</i>	326,251	-	326,251	(326,251)
23,423,373	28,501,131	(5,077,758)	<b>TOTAL</b>	18,282,816	25,800,521	(7,517,706)	(16,032,152)
		(5,946,522)	Appropriation for this Year (Refer working papers)				
		(11,024,280)	Net (deficit)/ Surplus for the Year			(7,517,706)	
		13,358,645	Accumulated Surplus beginning of the year			2,334,365	
		2,334,365	Acquisition of assets <b>ACCUMULATED SURPLUS AT END OF THE YEAR</b>			(5,183,341)	



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2008

2008

2007

- 1) **Property, plant and equipment**  
Property, plant and equipment at the beginning of the year  
Capital Expenditure during the year  
Written off during the year

Total Property, plant and equipment

Less : Loans Redeemed and Other Capital Receipts  
NET PROPERTY, PLANT AND EQUIPMENT

(Refer to appendix B for more details)

## 2) Long Term Debtors

Staff Loans  
- Car Loan

Less : Current portion of long term debtors

AMOUNT TO THE BALANCE SHEET

0	0
0	6,534
0	0
0	6,534

## 3) Trade and other receivables

Current debtors - Consumer & other  
VAT  
Other debtors  
Current portion of long term debtors

Less Provision for Bad Debts  
AMOUNT TO THE BALANCE SHEET

4,283,483	4,159,986
162,049	3,504,606
39,225	39,225
4,247,007	3,236,076
237,750	4,467,741

## 4) Short term Investments

Unlisted  
- ABSA - Capital Programme  
- ABSA - Council House  
- ABSA - Establishment Grant  
- ABSA - Free Basic Service  
- ABSA - Conditional Call Account  
- ABSA - Call Account  
- ABSA - NIG Call Account

AMOUNT TO THE BALANCE SHEET

0	0
0	0
0	0
0	0
2,023,627	4,009,299
196,361	4,421,703
2,520,889	2,997,311
4,740,876	11,428,313

No investments were written off during the year.  
No investments have been pledged as security for any funding facilities of the Council.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2008

2008

2007

## 6) Consumer deposits Services

AMOUNT TO THE BALANCE SHEET

99,915	99,915
99,915	99,915
99,915	99,915

## 7) Accumulated surplus

Appropriation account:

Accumulated surplus at the beginning of the year  
Acquisition of assets  
Prior year adjustments  
Operating (deficit)/surplus for the year

Accumulated surplus at the end of the year

AMOUNT TO THE BALANCE SHEET

2,334,365	13,358,845
0	0
0	-5,946,522
-5,955,361	-5,077,758
-3,620,996	2,334,365

Contributions to:

Capital expenditure  
Capital Development Fund  
Bonus provision

0	0
0	171,930
0	0
0	171,930

## 8) Accounts payable Trade Creditors Accrued expenses

AMOUNT TO THE BALANCE SHEET

-262,701	476,660
-262,701	205,264
-262,701	681,924

## 9) Provisions Leave Provision Bonus Provision Audit Fee Provision

AMOUNT TO THE BALANCE SHEET

338,904	246,886
-328,640	282,896
246,886	171,360
257,150	701,132

## 10) Assessment Rates

Rates

1,073,122	706,616
1,073,122	706,616

Assessment Rates are based on the differential rating system.

## 11) Councillors' Remuneration

Mayor's Allowance  
Deputy Mayor's allowance  
Speaker's Allowance  
Executive Committee Allowances X 3  
Councillors' Allowance X 21

3,801,045	3,920,821
222,162	236,599
179,526	192,926
179,526	192,926
506,987	536,738
2,712,844	2,761,632

## 12) Senior Management Remuneration

Total external interest earned or paid:  
- Interest earned  
- Interest paid

0	0
0	0
0	0

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2008

2008

2007

## 20) Municipal Finance Management Act Disclosures

### 20.1

*Municipal entities*  
The municipality has no entities under its jurisdiction or control.

### 20.2 Payments to and amounts owing to statutory and regulatory bodies

#### South African Local Government Association

- amounts paid in year  
- amounts owing at end of year

0	0
0	0

#### PAYE

- amounts paid in year  
- amounts owing at end of year

0	0
0	0

#### RSC LEVIES

- amounts paid in year  
- amounts owing at end of year

0	0
0	0

#### EMPLOYERS SHARE OF MEDICAL AID

- amounts paid in year  
- amounts owing at end of year

0	0
0	0

#### EMPLOYERS SHARE OF PENSION CONTRIBUTIONS

- amounts paid in year  
- amounts owing at end of year

0	0
0	0

### 20.3 Salaries, allowances and benefits of managements

Municipal Manager  
Chief Finance Officer  
Director Corporate Services  
Director Community Services  
Director Technical Services

2,420,184	1,984,153
550,169	500,153
453,775	371,000
479,489	371,000
467,643	371,000
469,108	371,000

### 21) Capital Development fund

Accumulated fund  
Less: External Investments

0	0
2,149,742	2,149,742
2,149,742	2,149,742

See Appendix A for more details

### 22)

Public Improvement fund  
Accumulated fund  
Less: External Investments

0	0
753,408	753,408
753,408	753,408

See Appendix A for more details

# EXTERNAL LOANS AND INTERNAL ADVANCES

## FOR THE YEAR ENDED 30 JUNE 2008

	Balance at 01 July 2007	Received during the period	Redeemed or written off during the period	Balance at 30 June 2008
EXTERNAL LOANS				
Amortity Loans	-	-	-	-
Facel Loans	-	-	-	-
	-	-	-	-

	Balance at 01 July 2007	Received during the period	Redeemed or written off during the period	Balance at 30 June 2008
INTERNAL ADVANCES				
BORROWING SERVICES				
Public Improvement Fund	R	R	R	R
Capital Development Fund	-	-	-	-
	-	-	-	-

# Appendix D

## ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008

Actual 2007 R	Actual 2008 R	Budget 2008 R
23,423,373	18,301,574	29,419,941
<b>INCOME</b>		
22,312,439	16,876,991	16,876,991
- Government and Provincial Grants and Subsidies	-	7,511,096
- Investment Income	1,073,122	328,423
- Assessment Rates	1,027,722	1,048,690
- Income from Tariffs, Services Charges etc.	-	-
- Electricity Sales	-	-
- Water Sales	-	-
- other	(676,262)	3,654,741
152,086		
<b>GROSS EXPENDITURE</b>		
12,783,567	24,256,934	29,419,941
6,145,930	9,338,630	9,463,609
- Salaries, Wages and Allowances	3,801,045	3,880,870
- Councilors Salaries & Allowances	8,710,256	11,498,237
- General Expenses	1,552,724	2,695,000
- Repairs and Maintenance	124,581	1,862,225
- Contributions to funds and reserves	729,697	-
- Contribution to Fixed Assets	-	-
2,337,205		
3,364		
2,140,262		
2,156,805		
<b>SURPLUS(DEFICIT) FOR THE YEAR</b>	<b>(5,955,361)</b>	<b>(0)</b>
10,639,806		

# STATISTICAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2008

## GENERAL STATISTICS

### 1) POPULATION

In accordance to the 2001 statistics, total population of Nkandla Municipality is 133 605 with total of 71 289 members are eligible voters.

In the previous elections held, the number of registered voters amounted to 45 170.

### 2) ASSESSMENT RATES

PROPERTY CATEGORY	VALUATION	ACTUAL INCOME 2008	ACTUAL INCOME 2007
Commercial and residential	-	1,073,122	706,616
TOTAL	-	1,073,122	706,616

The valuation process has been completed and Property Act is being implemented

### 3) EMPLOYEES

The total number of municipal employees is 64, which excludes 27 Councillors. All the Municipal Councillors are employed on part-time basis.

### 4) SUNDRY STATISTICS

The total size of the Municipal area extends over 1827 square kilometers.

**UTHUNGULU**



Fin 2249/M Kunene/nn/#35056

05 September 2008

Provincial Treasury  
PO Box 3613  
PIETERMARITZBURG  
3200

Attention: Ms. Pam. Zulu

Dear Madam

**SUBMISSION OF THE 2007/08 ANNUAL FINANCIAL  
STATEMENT**

Your letter dated 11th August 2008 has reference;

Please receive a copy of the Annual Financial Statements of uThungulu District Municipality for the year ended 30 June 2008.

Yours Faithfully

**M. KUNENE**  
**DEPUTY CHIEF FINANCIAL OFFICER**

**UTHUNGULU**



uThungulu District Municipality

Annual Financial Statements

for the year ended 30 June 2008

*Approved*  
*2008/09*  
*2008*



**uThungulu District Municipality**  
Annual Financial Statements for the year ended 30 June 2008

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**uThungulu District Municipality**  
Annual Financial Statements for the year ended 30 June 2008

**Report of the Auditor-General**

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To be inserted by Auditor - General

**Auditor General**

**28 November 2008**

**uThungulu District Municipality**  
Annual Financial Statements for the year ended 30 June 2008

**Statement of Municipal Manager's Responsibility**

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I am responsible for the preparation of these annual financial statements, which are set out on pages 4 - 31, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



**S. M. Bwela**  
**Municipal Manager**

**Richards Bay, 29 August 2008**

**uThungulu District Municipality**  
Annual Financial Statements for the year ended 30 June 2008  
**Statement of Financial Position**  
as at 30th June 2008

Figures in Rand	Note(s)	2008	2007
<b>Net Assets and Liabilities</b>			
<b>Net Assets</b>			
Government grant reserve		191,020,763	134,598,549
Donations and public contribution reserves		3,763,443	3,784,826
Accumulated Surplus		222,060,072	229,245,443
		<b>416,844,278</b>	<b>367,628,818</b>
<b>Non-Current Liabilities</b>			
Long-term liabilities	2	43,141,133	41,531,545
Non-current provisions	4	49,927,627	17,356,981
		<b>93,068,760</b>	<b>58,888,526</b>
<b>Current Liabilities</b>			
Consumer deposits	5	4,421,571	3,788,952
Provisions	4	1,411,123	1,265,209
Trade Creditors	6	54,252,886	36,476,167
Unspent conditional grants and receipts	7	101,172,274	59,929,474
Current portion of long-term liabilities	2	-	41,556
		<b>161,257,854</b>	<b>101,501,358</b>
<b>Total Net Assets and Liabilities</b>		<b>671,170,892</b>	<b>528,018,702</b>
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	9	372,013,078	281,871,028
Investments	10	15,077,902	13,497,398
Long-term receivables	11	1,542,448	2,101,256
		<b>388,633,428</b>	<b>297,469,682</b>
<b>Current Assets</b>			
Inventories	12	3,086,198	1,884,750
Consumer debtors	13	12,237,149	13,476,017
Other debtors	14	8,349,118	4,978,624
Current portion of long-term receivables	11	258,004	335,394
VAT	8	17,921,635	9,492,631
Call investment deposits	15	190,000,000	170,000,000
Bank balances and cash	16	50,685,360	30,381,604
		<b>282,537,464</b>	<b>230,549,020</b>
<b>Total Assets</b>		<b>671,170,892</b>	<b>528,018,702</b>

# **uThungulu District Municipality** Annual Financial Statements for the year ended 30 June 2008

## **Statement of Financial Performance**

Figures in Rand	Note(s)	2008	2007
<b>Revenue</b>			
Regional Services Levies - turnover		846,594	10,434,246
Regional Services Levies - remuneration		384,376	3,800,369
Service charges	17	30,277,691	26,133,058
Rental income		317,696	609,773
Government grants and subsidies	18	244,256,711	217,744,283
Interest earned - external investments	20	26,562,568	17,967,627
Interest earned - outstanding debtors	20	311,162	452,844
Other income	19	5,916,154	5,198,134
<b>Total revenue</b>		<b>308,872,952</b>	<b>282,340,334</b>
<b>Expenditure</b>			
Employee related costs	22	(49,998,934)	(40,217,363)
Remuneration of councillors	23	(4,740,110)	(4,415,087)
Bad debts		(3,066,528)	(172,314)
Depreciation, amortisation and impairments		(10,966,372)	(9,386,416)
Repairs and maintenance		(24,576,672)	(35,497,541)
Finance cost	24	(7,856,385)	(7,541,376)
Bulk purchases	25	(11,894,756)	(7,295,953)
Contracted services		(40,991,819)	(37,237,648)
Grants and subsidies paid	26	(1,514,515)	(1,284,500)
General expenses	27	(103,995,820)	(67,683,204)
Loss on disposal of property, plant and equipment	21	(55,581)	(75,943)
<b>Total Expenditure</b>		<b>(259,657,492)</b>	<b>(210,807,345)</b>
Surplus for the year		49,215,460	71,532,989

Refer to Appendix E(1) for the comparison with the approved budget

# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

## Statement of Changes in Net Assets

Figures in Rand	Government grant reserve	Donations and public contribution reserves	Total reserves	Accumulated Surplus	Total
<b>2006</b>					
Balance at 01 July 2006	92,209,428	192,979	92,402,407	203,693,422	96,095,829
Capital grants used to purchase property, plant & equipment	44,178,957	-	44,178,957	(44,178,957)	-
Donated/contributed PPE	-	3,613,230	3,613,230	(3,613,230)	-
Offsetting of backlog depreciation	(1,789,836)	(21,383)	(1,811,219)	1,811,219	-
Balance	42,389,121	3,591,847	45,980,968	157,712,454	296,095,829
Surplus for the year	-	-	-	71,532,989	71,532,989
Balance at June 30, 2007	134,598,549	3,784,826	138,383,375	229,245,443	367,628,818
<b>2007</b>					
Balance at 01 July 2007	134,598,549	3,784,826	138,383,375	229,245,443	367,628,818
Capital grants used to purchase property, plant & equipment	58,086,958	-	58,086,958	(58,086,958)	-
Other 2	-	-	-	-	-
Offsetting of depreciation	(1,664,744)	(21,383)	(1,686,127)	1,686,127	-
Surplus for the year	-	-	-	49,215,460	49,215,460
Balance at 30 June 2008	191,020,763	3,763,443	194,784,206	222,060,072	416,844,278

**uThungulu District Municipality**  
Annual Financial Statements for the year ended 30 June 2008

**Cash Flow Statement**

Figures in Rand	Note(s)	2008	2007
<b>Cash flows from operating activities</b>			
Sales of goods and services		31,826,357	36,711,001
Grants		244,256,711	203,218,080
Other receipts		42,016,381	33,508,243
Employee costs		(54,739,044)	(45,310,814)
Suppliers		(142,166,336)	(154,011,652)
Cash generated from operations	28	121,194,069	74,114,858
Interest income		26,873,730	18,420,471
Interest paid		(7,856,385)	(7,541,376)
<b>Net cash from operating activities</b>		<b>140,211,414</b>	<b>84,993,953</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(101,164,003)	(70,599,972)
Proceeds from disposal of property plant and equipment		-	73,292
Increase in non-current investments		(1,580,504)	(1,411,175)
Decrease in non-current receivables		636,198	958,359
<b>Net cash from investing activities</b>	9	<b>(102,108,309)</b>	<b>(70,979,496)</b>
<b>Cash flows from financing activities</b>			
Net movement on other financial liabilities		1,568,032	1,513,843
Increase in consumer deposits		632,619	3,006,716
<b>Net cash from financing activities</b>		<b>2,200,651</b>	<b>4,520,559</b>
<b>Net (decrease) / Increase in cash and cash equivalents</b>		<b>40,303,756</b>	<b>18,535,016</b>
Cash and cash equivalents at the beginning of the year		200,381,604	181,846,588
<b>Cash and cash equivalents at the end of the year</b>	29	<b>240,685,360</b>	<b>200,381,604</b>

# **uThungulu District Municipality**

Annual Financial Statements for the year ended 30 June 2008

## **Accounting Policies**

### **1. Basis of Presentation**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of Government Notice 991 and 992 of 2005.

The standards comprise the following:

Presentation of Financial Statements (Preface to GRAP Statements) (GRAP 1)

Cash flow statements: (GRAP 2)

Accounting policies, Changes in Accounting Estimates and Errors: (GRAP 3)

Effects of changes in foreign exchange rates: (GAMAP 4)

Consolidated Financial Statements and Subsidiaries (GAMAP 6)

Investments in associates: (GAMAP 7)

Joint ventures: (GAMAP 8)

Revenue (GAMAP 9)

Inventories: (GAMAP 12)

Property, plant and equipment: (GAMAP 17)

Provisions, contingent liabilities and assets: (GAMAP 19)

GAMAP 6, 7 and 8 have been compiled to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of Government Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The municipality has taken advantage of all applicable exemptions except for IAS 20, Accounting for Government Grants and disclosure of government assistance, as approved by National Treasury.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

In accordance with Government Gazette 30013, the Municipality has taken advantage of all applicable exemptions except for IAS 20, Accounting for Government Grants and disclosure of government assistance, as approved by National Treasury.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

#### **1.1 Presentation of currency**

These annual financial statements are presented in South African Rand.

#### **1.2 Going concern assumption**

These annual financial statements have been prepared on a going concern basis.

#### **1.3 Reserves**

##### **1.3.1 Government Grant Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (MFMA circular 18) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant



## **Accounting Policies**

Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

### **1.3.2 Donations and Public Contributions Reserve**

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular 18) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

### **1.4 Property, plant and equipment**

**The cost of an item of property, plant and equipment is recognised as an asset when:**

- It is probable that future economic benefits associated with the item will flow to the municipality; and
- The cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Assets at cost

Infrastructure assets are stated at cost, less accumulated depreciation, except land and buildings and assets in construction.

Other assets are stated at cost, less accumulated depreciation and impairment. Where the carrying amount of an item of other assets is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The municipality has adopted the transitional provisions of GAMAP 17 which allows for the municipality to itemise all infrastructure assets for inclusion in the fixed asset register.

Depreciation is provided on property, plant and equipment other than freehold land and buildings and infrastructure assets in construction, to write down the cost, by equal instalments over their useful lives. Depreciation only commences when the asset is brought into use. The annual depreciation rates are based on the following estimated useful lives;

Infrastructure	20 years
• Electricity	5-20 years
• Water	5-20 years
• Sewerage	5 years
• Landfill sites	
Other assets	
• Motor vehicles	5 - 7 years
• Computer Equipment	3-5 years
• Furniture, fittings and office equipment	7-10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial

# **uThungulu District Municipality**

Annual Financial Statements for the year ended 30 June 2008

## **Accounting Policies**

Performance.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 1.12 on Provisions.

### **1.5 Financial Instruments**

#### **Initial recognition**

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the municipality's balance sheet when the municipality becomes party to the contractual provisions of the instrument.

Financial assets are recognised initially at fair value.

#### **Subsequent measurement**

After initial recognition financial assets are measured as follows:

##### **Held to maturity investments**

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

##### **Loans and receivables**

Are measured at amortised cost using the effective interest method

### **Gains and losses**

A gain or loss arising from a change in a financial asset or liability is recognised as follows:

- A gain or loss on a financial asset or liability when classified at fair value is recognised in the statement of financial performance.
- Financial assets and financial liabilities carried at amortised cost: a gain or loss is recognised in the statement of financial performance when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

### **1.6 Tax**

#### **Tax expenses**

No provision has been made for taxation as the municipality is exempt from taxation in terms of section 10(1)(a) of the Income Tax Act.

### **1.7 Inventories**

Consumable stores, finished goods and purified water are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

### **1.8 Other debtors**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Subsequent provision is made for the impairment of these receivables. A provision for impairment of trade receivables is considered for all debtors greater than 90 days, with the exception of national, provincial and local government debtors, which are all considered recoverable in full.

# **uThungulu District Municipality**

Annual Financial Statements for the year ended 30 June 2008

## **Accounting Policies**

The movement in bad debt provision and fair value adjustments is recognised in the statement of financial performance.

Debtors originated by the municipality are treated as long term receivables and initially recognised at fair value and subsequently carried at amortised cost.

### **1.9 Trade Creditors**

Trade creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

### **1.10 Revenue Recognition**

#### **1.10.1 Revenue from Exchange Transactions**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly and quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse are recognised on a monthly basis in arrears and on a cash basis by applying the approved tariff to each consumer that uses the solid waste site.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

#### **1.10.2 Revenue from non-exchange transactions**

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Estimates are reviewed regularly to ensure that average data is appropriate.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### **1.11 Conditional Grants and Receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.12 Provisions**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Provision for the rehabilitation of the refuse landfill site is determined at best estimate by the consulting engineers.

# **uThungulu District Municipality**

Annual Financial Statements for the year ended 30 June 2008

## **Accounting Policies**

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### **1.13 Bank balances and cash**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of four months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments.

### **1.14 Unauthorised Expenditure**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.15 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.16 Fruitless and Wasteful Expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.17 Comparatives Information**

#### **1.17.1 Current year comparatives**

Budgeted amounts have been included in the annual financial statements for the current financial year only in Appendix E1 & E2.

#### **1.17.2 Prior year comparatives**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

### **1.18 Investments**

#### **Held-to-maturity Investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality's management has the positive intention and ability to hold to maturity, and are included in non-current assets, except for those with maturities within 12 months from the statement of financial position date which are classified as current assets. Held to maturity investments are subsequently carried at amortised cost using the effective interest method less any accumulated impairment loss. Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

### **1.19 The Municipality as Lessee**

## **Accounting Policies**

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### **Headleases**

The headlease in which the Municipality would have a controlling interest in the property at the end of the lease is classified as a finance lease.

### **Finance headleases**

Headlease asset, where part of finance headlease, is capitalised as other assets - property at cost and a corresponding liability is raised. Land is not depreciated.

### **Operating Leases**

Payments made under operating leases that are contingent rentals are charged to the statement of financial performance in the period in which they occur.

### **1.20 Retirement Benefits**

#### **Defined benefit plans**

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuation Method Approach.

The assets of the plans are held by independently managed trust funds. These funds are governed by the South African Pension Fund Act of 1956. The defined benefit plans are multi-employer plans, where sufficient information is not available to account for them as defined benefit plans; they are in substance accounted for as defined contribution plans.

#### **Defined contribution plans**

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined contribution funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuation Method Approach.

### **1.21 Borrowing costs**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

### **1.22 Events after balance sheet date**

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note.

# **uThungulu District Municipality** Annual Financial Statements for the year ended 30 June 2008

## **Notes to the annual financial statements**

Figures in Rand

	2008	2007
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### **2. Long-term liabilities**

#### **Non-current liabilities portion of loans**

INCA 2

The loan was taken to finance the purchase and development of the regional solid waste site. The loan is repayable over a 15 year period. Interest at 13.95% is paid 6 monthly in arrears on the last day of the month. The final payment of R 21 million is due December 2015. A zero coupon from INCA has been taken out to repay this loan.

Obligation under finance headlease

The finance headlease payments represent payments by the Municipality for a headlease property in which the Municipality has a controlling interest at the end of the lease through uThungulu Financing Partnership and consist of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haiti, Central Business District, known as uThungulu House. The original lease period expires on 31 October 2017, however uThungulu had the option to terminate the lease on 30 April 2008, either way ownership of the property will vest with uThungulu on the termination of the lease. Interest of 23,81 % is paid 6 monthly in advance on the last day of the month.

#### **Current portion transferred to current liabilities**

Annuity Loans

**Sub-total**

-	41,556
<b>43,141,133</b>	<b>41,573,101</b>

#### **Non-current liabilities**

Total long term portion

43,141,133	41,531,545
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#### **Current liabilities**

Total current portion

-	41,556
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Refer to Appendix A for more detail on long-term liabilities.

Details of the repayment terms of the obligations and the related interest rates are set out in Appendix A. The asset encumbered to secure the loans is detailed in note 9.

### **3. Retirement benefits**

#### **Defined benefit plan**

Certain members of staff belong to the multi-employer Natal Joint Municipal Pension Fund or the Natal Joint Municipal Pension Fund (Superannuation). In practice the valuer conducts a statutory valuation on a triennial basis and an interim valuation on an annual basis.

The statutory valuation of the Natal Joint Municipal Pension Fund for the period ending 31st March 2006 Indicated a deficit of R 141 million in respect of active members and pensioners. However the funds' rule amendment limiting future increases in pensionable emoluments and the surcharge of 14% of pensionable emoluments from 1 July 2006 would enable the deficit to be eliminated 1 July 2010..

The interim valuation of the of the Natal Joint Municipal Pension Fund (Superannuation) for the period ending 31st March 2006 indicated a Surplus of R 210 million in respect of pensioners and a deficit of R 88 million in respect of members. In order to meet this deficit the fund has been levying a surcharge of 6% payable from 1 July 2006 until 30 June 2008.

#### **Defined contribution plan**

# uThungulu District Municipality

## Annual Financial Statements for the year ended 30 June 2008

### Notes to the annual financial statements

Figures in Rand

	2008	2007
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#### 3. Retirement benefits (continued)

Certain staff members belong to the Kwa-Zulu Natal Joint Municipal Provident Fund. In practice the valuer conducts a statutory valuation on a triennially basis, and an interim valuation on annual basis.

The statutory valuation of the fund for the year ending 31 March 2006 indicated a surplus of R 46,638 million. This valuation indicated that the fund is in sound financial position.

In accordance with Government Notice 552 of 2007, exemption has been granted of Standard IAS 19. The extent of the exemption is as follows:

Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information.[paragraphs 29, 48 – 119, 120A(c)-(g)]

The municipality endeavours to comply with the standard by 30 June 2009.

#### 4. Provisions

##### Reconciliation of provisions - 2008

	Opening Balance	Contributions to provision	Expenditure incurred	Total
Reclamation of refuse landfill site	17,069,498	32,350,060	-	49,419,558
Long-service	287,483	220,586	-	508,069
Performance bonus	562,773	597,006	(444,415)	715,364
Current portion of long-service provision	702,436	(6,677)	-	695,759
	<b>18,622,190</b>	<b>33,160,975</b>	<b>(444,415)</b>	<b>51,338,750</b>

##### Reconciliation of provisions - 2007

	Opening Balance	Contributions to provision	Expenditure incurred	Total
Reclamation of refuse landfill site	17,069,498	-	-	17,069,498
Long-service	315,375	(27,892)	-	287,483
Performance bonus	535,975	548,019	(521,221)	562,773
Current portion of long-service provision	922,976	442,631	(663,171)	702,436
	<b>18,843,824</b>	<b>962,758</b>	<b>(1,184,392)</b>	<b>18,622,190</b>

	2008	2007
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Non-current provisions	49,927,627	17,356,981
Provision for long-service	508,069	287,483
Reclamation of refuse landfill site	49,419,558	17,069,498
Current provisions	1,411,123	1,265,209
Current portion of long service leave provision	695,759	702,436
Performance bonus	715,364	562,773
<b>Total Provisions</b>	<b>51,338,750</b>	<b>18,622,190</b>

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date.

**uThungulu District Municipality**  
Annual Financial Statements for the year ended 30 June 2008

**Notes to the annual financial statements**

Figures in Rand	2008	2007
<b>4. Provisions (continued)</b>		
In terms of the licencing of the landfill refuse sites, council will incur rehabilitation costs of R 49 million to restore the old Empangeni and Cell 1 refuse sites at the end of their useful life, estimated to be in 2011. Provision has been made at best estimate determined by the consulting engineers at a cost for the current solid waste site (Cell 1) and the Old Empangeni Site.		
<b>5. Consumer deposits</b>		
Electricity and Water	4,421,571	3,788,952
In terms of councils by-laws no interest is raised or paid.		
<b>6. Trade Creditors</b>		
Trade payables	41,599,149	24,087,101
Amounts received in advance	2,411,035	3,104,898
Accrued leave pay	2,435,786	2,414,800
Accrued audit fees	22,547	59,174
Other accrued expenses	29,501	23,228
Other payables	7,754,868	6,786,966
<b>Total Creditors</b>	<b>54,252,886</b>	<b>36,476,167</b>
<b>7. Unspent conditional grants and receipts</b>		
<b>7.1 Conditional Grants from other spheres of government</b>		
Department of Public Works	2,969,461	2,974,265
Department of Provincial and Local Government	1,198,875	1,411,855
Department of Sports & Recreation - Kwa-Zulu Natal	7,376,865	418,233
Department of Traditional & Local Government Affairs	20,937,657	22,040,177
Department of Water Affairs & Forestry	20,214,459	5,795,653
Department of Transport - Kwa-Zulu Natal	313,770	313,770
National Government - Municipal Infrastructure Grants	38,592,272	25,081,184
National Government - Other Grants	2,008,526	1,187,837
uMhlatuze Municipality	7,500,000	-
<b>Conditional Grants from other spheres of Government</b>	<b>101,111,885</b>	<b>59,222,974</b>
<b>7.2 Other Conditional Grants</b>		
European Union	-	278,144
United Nations Development Programme	81,409	428,356
<b>Other Conditional Receipts</b>	<b>81,409</b>	<b>706,500</b>
<b>Total Conditional Grants and Receipts</b>	<b>101,172,274</b>	<b>59,929,474</b>
See Note 18 for reconciliation of grants from other spheres of government.		
<b>8. VAT</b>		
VAT receivable	17,921,635	9,492,631



**uThungulu District Municipality**  
Annual Financial Statements for the year ended 30 June 2008

**Notes to the annual financial statements**

Figures in Rand	2008	2007
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**9. Property, plant and equipment**

	2008		2007			
	Cost / Valuation	Accumulate d depreciati on	Carrying value	Cost / Valuation	Accumulate d depreciati on	Carrying value
Leasehold property	9,550,000	-	9,550,000	9,550,000	-	9,550,000
Infrastructure - In construction	249,825,264	-	249,825,264	190,023,725	-	190,023,725
Infrastructure	128,816,989	(56,651,846)	72,165,143	96,466,929	(49,751,995)	46,714,933
Other assets - in construction	9,002,715	-	9,002,715	2,581,895	-	2,581,895
Other property, plant and equipment	41,521,338	(10,051,382)	31,469,956	39,252,292	(6,251,816)	33,000,475
<b>Total</b>	<b>438,716,306</b>	<b>(66,703,228)</b>	<b>372,013,078</b>	<b>337,874,841</b>	<b>(56,003,811)</b>	<b>281,871,028</b>

**Reconciliation of property, plant and equipment - 2008**

	Opening Balance	Additions	Capital under construction	Disposals	Transf ers	Depreciatio n	Total
Leasehold property	9,550,000	-	-	-	-	-	9,550,000
Infrastructure - In construction	190,023,725	-	59,801,539	-	-	-	249,825,264
Infrastructure	46,714,934	32,350,060	-	-	-	(6,899,851)	72,165,142
Other assets - In Construction	2,581,895	6,420,820	-	-	-	-	9,002,715
Other property, plant and equipment	33,000,476	2,591,583	-	(55,581)	-	(4,066,521)	31,469,957
<b>Total</b>	<b>281,871,028</b>	<b>41,362,463</b>	<b>59,801,539</b>	<b>(55,581)</b>	<b>-</b>	<b>(10,966,372)</b>	<b>372,013,078</b>

**Reconciliation of property, plant and equipment - 2007**

	Opening Balance	Additions	Capital under construction	Disposals	Depreciation	Total
Leasehold property	9,550,000	-	-	-	-	9,550,000
Infrastructure - In construction	128,301,128	-	61,863,697	-	-	190,023,725
Infrastructure	54,692,974	-	-	-	(6,821,536)	46,714,933
Other assets - in construction	384,683	-	2,056,112	-	-	2,581,895
Other property, plant and equipment	27,877,923	6,680,163	-	(149,236)	(2,564,881)	33,000,475
<b>Total</b>	<b>220,806,708</b>	<b>6,680,163</b>	<b>63,919,809</b>	<b>(149,236)</b>	<b>(9,386,417)</b>	<b>281,871,028</b>

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

At present depreciation is calculated on a basis of the assets estimated useful life on the historical cost of the asset for infrastructure and other assets. Furthermore the municipality has not assessed the condition of infrastructure assets to

# uThungulu District Municipality

## Annual Financial Statements for the year ended 30 June 2008

### Notes to the annual financial statements

Figures in Rand	2008	2007
<p><b>9. Property, plant and equipment (continued)</b></p> <p>determine impairment, which will be done periodically in terms of the Municipality's asset management policy.</p> <p>The Municipality is in the process of itemizing all infrastructure assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009.</p> <p>Included in infrastructure assets are 132 Water Schemes transferred during the 2004/05 financial year from various local municipalities in terms of the Municipal Structures Act, 1998. These water schemes are stated at a nominal value of R1 for each scheme, pending the results of a professional valuation which will be completed during the 2008/09 financial year. The finalisation of this valuation will result in a significant increase (to be recognised in 2008/09) in fixed assets, with a corresponding increase in Government Grants and Contributions Reserve.</p> <p>The leased property forms part of the Municipality's headlease activity and cannot be realised until the headlease is settled. (Refer to Note 2, Obligations under finance headleases).</p> <p>At the end of the 2005/06 financial year the asset category, other assets, which were stated at cost per IMFO, were reviewed to assess the condition of the assets, and impaired accordingly.</p> <p>In accordance with General Notice 552 of 2007, exemption has been granted of the following standards including the extent of the exemption:</p> <p><b>Property, plant and equipment (GAMAP 17)</b></p> <p>Extent of exemption:</p> <p>Review of useful life of items of PPE recognised in the annual financial statements [paragraphs 59 – 61, and 77]</p> <p>Review of depreciation method applied to PPE recognised in the annual financial statements [paragraphs 62 and 77]</p> <p>Impairment of non-cash-generating assets [paragraphs 64 – 69 and 75(e)(v) – (vi)]</p> <p>Impairment of cash-generating assets [paragraphs 63 and 75(e)(v) – (vi)]</p> <p><b>Impairment of Assets (IAS 36/AC 128)</b></p> <p>Extent of exemption: Entire Standard</p> <p>The municipality will endeavour to comply with the above standards by 30 June 2009.</p>		
<p><b>10. Investments</b></p> <p><b>Held to maturity</b></p> <p>Promissory Notes</p> <p>An investment in Promissory Notes was made by council, which were prohibited in terms of section 10 (G) 9(a) of the Local Government Transitional Act, of 1993.</p> <p>INCA Zero Coupon</p> <p>The INCA Zero Coupon of R 7,963,350 was purchased by council in 2002/03 to be utilized as a guarantee on the R 21 million INCA loan. Interest of R 1,580,504 (2006/07 - R 1,411,175) at 11.35% was earned on the investment. The coupon matures on the 30th of June 2011.</p> <p>Subtotal</p> <p>Held to maturity (impairments)</p>	<p>8,424,476</p> <p>15,077,902</p>	<p>8,424,476</p> <p>13,497,398</p>
	<p>23,502,378</p> <p>(8,424,476)</p> <p><b>15,077,902</b></p>	<p>21,921,874</p> <p>(8,424,476)</p> <p><b>13,497,398</b></p>
<p><b>Impairment provision</b></p> <p>The total investment of R 8,424,476 for Promissory Notes, is considered irrecoverable, as per council resolution No UDMC 1081.</p>		
<p><b>11. Long-term receivables</b></p> <p>- Loans to local municipalities</p>	<p>153,640</p>	<p>293,305</p>

# uThungulu District Municipality

## Annual Financial Statements for the year ended 30 June 2008

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#### 11. Long-term receivables (continued)

- Staff home loans	1,355,929	1,559,236
- Staff vehicle loans	117,630	313,523
- Staff study loans	173,253	270,586
	<b>1,800,452</b>	<b>2,436,650</b>
Less: Current portion transferred to current receivables	<b>(258,004)</b>	<b>(335,394)</b>
<b>Total long term receivable</b>	<b>1,542,448</b>	<b>2,101,256</b>

#### Current portion receivables

- loans to local municipalities	138,565	119,073
- Staff home loans	75,519	61,501
- Staff vehicle loans	43,920	154,820
	<b>258,004</b>	<b>335,394</b>

#### Loans to Municipalities

The loan to Umlalazi Municipality was provided on the 31st of December 1999, and interest at 15.75% is charged bi-annually with the final repayment due on the 30th of June 2009.

#### Car loans

Senior staff were entitled to car loans prior to 1 July 2004, which currently attracts interest at 8.5% per annum and which are repayable over a maximum period of 6 years. These loans are repayable by 2009.

#### Staff home loans

Housing loans were granted to qualifying staff prior to 1st July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with home loan agreements and range from 5 to 10 years.

#### Staff study loans

Study loans were provided to staff prior to 1st July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually.

#### 12. Inventories

Consumables and maintenance materials	2,902,770	1,756,862
Water	183,428	127,888
	<b>3,086,198</b>	<b>1,884,750</b>

Exemption has been granted in terms of General Notice 552 of 2007 for GAMAP 12 Inventories. The extent of the exemption is as follows:

The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17.

The entire standard to the extent that it relates to water stock that was not purchased by the municipality.

The municipality will endeavour to comply with the standard on or before 30 June 2009.

# uThungulu District Municipality

## Annual Financial Statements for the year ended 30 June 2008

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#### 13. Consumer debtors

	<u>Gross Balances</u>	<u>Provision for Bad Debts</u>	<u>Net Balance</u>
<b>As at 30 June 2008</b>			
Service debtors	17,663,837	(7,365,931)	10,297,906
Water	12,537,741	(5,229,811)	7,307,930
Electricity	158,674	(73,659)	85,015
Sanitation	3,976,844	(2,062,461)	1,914,384
Solid waste	990,578	-	990,577
Regional Service Levies	904,265	-	904,265
Prepaid Debtors	1,034,978	-	1,034,978
	<b>19,603,080</b>	<b>(7,365,931)</b>	<b>12,237,149</b>

**Gross Balances**      **Provision for Net Balance**  
**Bad Debts**

#### As at 30 June 2007

Service debtors	16,620,585	(4,503,322)	12,117,263
Water	12,378,799	(3,232,491)	9,146,308
Electricity	356,505	(9,901)	346,604
Sanitation	2,810,573	(1,260,930)	1,549,643
Solid waste	1,074,708	-	1,074,708
Regional Service Levies	1,372,347	(13,593)	1,358,754
	<b>17,992,932</b>	<b>(4,516,915)</b>	<b>13,476,017</b>

#### (Electricity, Water and Sewerage): Ageing

Current (0 – 30 days)	3,022,042	4,392,361
31 - 60 Days	2,048,158	3,503,126
61 - 90 Days	1,552,649	843,034
91 - 120 Days	1,223,783	707,711
121 - 365 Days	9,817,204	7,174,353
	<b>17,663,836</b>	<b>16,620,585</b>

#### Regional Services Levies: Ageing

+ 365 Days	904,266	1,372,347
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# uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

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### 13. Consumer debtors (continued)

#### Summary of Debtors by Customer Classification

	<u>Consumers</u>	<u>Industrial/Commercial</u>	<u>National and Provincial Government</u>
<b>As at June 30, 2008</b>			
Current (0 - 30 days)		404,387	157,545
31 - 60 Days	2,460,110	291,484	492,970
61 - 90 Days	1,263,704	249,613	317,285
91 - 120 Days	985,751	1,442,414	2,748,717
Sub-total	6,849,856	2,387,899	3,716,517
Less: Provision for bad debts	11,559,421	(1,442,414)	-
	(5,923,517)		
	<b>5,635,904</b>	<b>945,484</b>	<b>3,716,517</b>

#### Summary of Debtors by Customer Classification

	<u>Consumers</u>	<u>Industrial/Commercial</u>	<u>National and Provincial Government</u>
<b>As at June 30, 2007</b>			
Current (0 - 30 days)		796,640	1,407,634
31 - 60 Days	2,188,087	873,030	322,275
61 - 90 Days	2,307,821	125,017	351,890
91 - 120 Days	366,127	899,560	238,649
121 - 365 Days	4,409,181	373,728	1,960,946
Sub-total	-	3,067,975	4,281,394
Less: Provision for bad debts	9,271,216	(860,042)	-
	(3,643,280)		
	<b>5,627,936</b>	<b>2,207,933</b>	<b>4,281,394</b>

### 14. Other Debtors

Other debtors	6,399,335	3,767,290
Deposits	1,949,783	1,211,334
<b>Total other debtors</b>	<b>8,349,118</b>	<b>4,978,624</b>

### 15. Call investment deposits

Call Deposits	190,000,000	170,000,000
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### 16. Bank balances and cash

The Municipality has the following bank accounts: -

Current Account (Old-Primary Bank Account)

ABSA Bank - Richards Bay

Account Number: 215 000 0079

Current Account - Primary account

# uThungulu District Municipality

## Annual Financial Statements for the year ended 30 June 2008

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#### 16. Bank balances and cash (continued)

NedBank - Richards Bay

Account Number:145 408 8885

#### Other Accounts

ABSA Bank Account: 405 987 3153

NedBank Account : 145 408 8893

NedBank Account : 145 408 9016

Cash and cash equivalents consist of:

Cash on hand

3,200 3,200

Bank balances

50,682,160 30,378,404

**50,685,360 30,381,604**

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Cash book balance at beginning of year

30,378,404 91,843,386

Cash book balance at end of year

50,682,160 30,378,404

Bank statement balance at beginning of year

62,420,511 100,183,846

Bank statement balance at end of year

66,795,215 62,420,511

#### 17. Service charges

Sales of electricity

2,035,292 1,928,100

Sales of water

19,149,949 16,070,171

Refuse removal

5,569,917 5,645,459

Sewerage and sanitation charges

2,930,678 2,198,136

Cemetery revenue

591,855 291,192

**30,277,691 26,133,058**

#### 18. Government grants and subsidies

Equitable share

57,101,476 48,798,224

Levy replacement grant

95,972,000 79,393,000

Municipal Infrastructure Grant and other Capital Grants

67,808,538 56,599,374

Department of Public Works

4,804 1,118,425

Department of Sport & Recreation

5,031,800 1,583,350

Department of Provincial Local Government

212,980 457,364

Department of Traditional and Local Government Affairs

6,149,220 2,573,403

Department of Water Affairs and Forestry

11,108,794 2,810,561

National Government - Other

867,099 1,129,391

Reimbursement Grants

- 23,281,191

**244,256,711 217,744,283**

# uThungulu District Municipality

## Annual Financial Statements for the year ended 30 June 2008

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#### 18.1. Equitable Share

In terms of the Constitution, this grant which is unconditional is used to subsidise the provision of basic services to the communities. These subsidies includes 6 kilo litre free basic water to the entire district with the exception of KZ 282, and 50 kilowatts for electricity, which is provided only in the town of Nkandla.

#### 18.2. Municipal Infrastructure Grant

Balance unspent at beginning of year	25,081,184	19,088,053
Current year receipts	81,319,626	62,592,505
Conditions met - transferred to revenue	(67,808,538)	(56,599,374)
<b>Conditions still to be met - transferred to liabilities</b>	<b>38,592,272</b>	<b>25,081,184</b>

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

#### 18.3. Department of Public Works Grants

Balance unspent at beginning of year	2,974,265	4,092,690
Conditions met - transferred to revenue	(4,804)	(1,118,425)
<b>Conditions still to be met - transferred to liabilities</b>	<b>2,969,461</b>	<b>2,974,265</b>

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

#### 18.4. Department of Sport & Recreation

Balance unspent at beginning of year	418,233	876,583
Current year receipts	11,990,432	1,125,000
Conditions met - transferred to revenue	(5,031,800)	(1,583,350)
<b>Conditions still to be met - transferred to liabilities</b>	<b>7,376,865</b>	<b>418,233</b>

Provincial Department of Sport & Recreation Projects grants are used to construct Sports & Swimming Pools in Nkandla. This grant also includes funding for the 2010 sports stadium that will be constructed by the municipality. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

# uThungulu District Municipality

## Annual Financial Statements for the year ended 30 June 2008

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#### 18.5 Department of Provincial and Local Government

Balance unspent at the beginning of year	1,411,855	1,869,219
Conditions met - transferred to revenue	(212,980)	(457,364)
<b>Conditions to be met - transferred to liabilities</b>	<b>1,198,875</b>	<b>1,411,855</b>

The Department of Provincial and Local Government grants are used :

- :- To build capacity within the District in order to perform functions as per legislature.
- :- For drought and flood relief and infrastructure.

#### 18.6 Department of Traditional and Local Government Affairs

Balance unspent at the beginning of the year	22,040,177	11,093,580
Current year receipts	5,046,700	13,520,000
Conditions met - transferred to revenue	(6,149,220)	(2,573,403)
<b>Conditions to be met - transferred to liabilities</b>	<b>20,937,657</b>	<b>22,040,177</b>

The Department of Traditional and Local Government grants are used :

- :- To build capacity within the District in order to perform functions as per legislature.
- :- For disaster programmes, fire fighting equipment, water service delivery planning, shares services unit and infrastructure.

#### 18.7 Department of Water and Forestry

Balance unspent at the beginning of the year	5,795,653	7,297,384
Current year receipts	25,527,600	1,308,829
Conditions met - transferred to revenue	(11,108,794)	(2,810,560)
<b>Conditions to be met - transferred to liabilities</b>	<b>20,214,459</b>	<b>5,795,653</b>

The Department of Water Affairs and Forestry are used for:

- :- Water infrastructure and sanitation projects.
- :- Drought relief and disaster relief programmes.

#### 18.8 Department of Transport (Kwa-Zulu Natal)

Balance unspent at the beginning of the year	313,770	113,770
Current year receipts	-	200,000
<b>Conditions to be met - transferred to liabilities</b>	<b>313,770</b>	<b>313,770</b>

The Department of Transport Grant is used for:

- :- The development of the Public Transport Plan.

#### 18.9 National Treasury - Other grants

Balance unspent at the beginning of the year	1,187,837	817,228
Current year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(679,311)	(1,129,391)
<b>Conditions to be met - transferred to liabilities</b>	<b>2,008,526</b>	<b>1,187,837</b>



# uThungulu District Municipality

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The National Treasury - Other Grants are used for:

- To promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act.
- To assist the municipality to perform their functions and stabilise institutional and government systems as required in the Municipal Systems Act.

#### 18.10 uMhlathuze Municipality - Other grants

Current year receipts	7,500,000	-
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The uMhlathuze Municipality Grants - are used for:  
 :- To build the 2010 sports stadium in the District.

#### 18.11 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 2 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

#### 19. Other income

Shared services revenue	250,000	440,000
Public contribution	683,758	4,316,585
Other Income	4,982,396	441,549
	<b>5,916,154</b>	<b>5,198,134</b>

#### 20. Interest revenue

Interest earned - external investments	26,562,568	17,967,627
Interest earned - outstanding debtors	311,162	452,844
	<b>26,873,730</b>	<b>18,420,471</b>

#### 21. Operating profit

Loss on sale of property, plant and equipment	(55,581)	(75,943)
Depreciation on property, plant and equipment	10,966,372	9,386,416
Employee costs	49,998,934	40,217,363

#### 22. Employee related costs

Employee related costs - Salaries and Wages	35,962,243	28,865,682
Employee related costs - Contributions for UIF, pensions and medical aids	6,312,336	5,472,162
Travel, motor car, and other allowances	4,190,707	3,564,597
Housing benefits and allowances	1,236,635	630,292
Overtime and relief payments	2,297,013	1,684,630
	<b>49,998,934</b>	<b>40,217,363</b>

There were no advances to employees. Loans to employees are set out in note 11.

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**Remuneration of senior management (continued)**

**Remuneration of the Municipal Manager**

Annual Remuneration	677,897	668,351
Performance Bonus	101,187	114,111
Car Allowance	259,103	233,280
Contributions to UIF	1,411	1,435
	<b>1,039,598</b>	<b>1,017,177</b>

**Remuneration of the Deputy Municipal Manager**

Annual Remuneration	646,947	573,868
Performance Bonus	109,751	107,310
Car Allowance	297,065	291,602
Contributions to UIF	1,511	1,435
	<b>1,055,274</b>	<b>974,215</b>

**Remuneration of Individual Executive Directors**

**Technical Services**

Annual Remuneration	596,929	773,741
Performance Bonus	33,403	103,737
Car allowance	149,229	142,124
Contributions to UIF, Medical and Pension funds	1,678	15,835
	<b>781,239</b>	<b>1,035,437</b>

The Executive Director: Technical Services resigned from his position at the end of January 2007(2006/07), which resulted in a payout of his outstanding leave of R 215,088 which is included in the annual remuneration expense above.

During the later part of 2006/07 a replacement incumbent was appointed to that position.

**Corporate Services**

Annual Remuneration	753,814	558,393
Performance Bonus	100,755	92,326
Car allowance	179,771	170,153
Contributions to UIF	1,511	1,435
	<b>1,035,851</b>	<b>822,307</b>

**Chief Financial Officer**

Annual Remuneration	743,804	646,562
Performance Bonus	107,990	103,737
Car Allowance	91,521	82,339
Contributions to UIF, Medical and Pension funds	1,511	1,435

# uThungulu District Municipality

## Annual Financial Statements for the year ended 30 June 2008

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#### . Remuneration of senior management (continued)

	<b>944,826</b>	<b>834,073</b>
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#### 23. Remuneration of councillors

##### Total Councillors' Remuneration

Mayor	428,711	627,864
Deputy Mayor	371,084	379,473
Speaker	366,643	347,134
Executive councillors	1,665,911	1,620,974
Councillors	1,540,521	1,116,207
Councillors' pension contribution	367,240	323,435
	<b>4,740,110</b>	<b>4,415,087</b>

##### In-kind Benefits:

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the Statement of Financial Performance. During the year there was a change in the Mayoral position and included in the remuneration of the mayor, for 2007/08 financial year is an amount of R 68,744.90 for travel claims reimbursed to the previous Mayor. The municipality is leasing a vehicle at cost to Council for the Mayor which is included with other expenditure in the Statement of Financial Performance.

#### 24. Finance Cost

Interest paid - long term liabilities	7,856,385	7,539,127
Finance cost - fair value adjustments	-	2,249
	<b>7,856,385</b>	<b>7,541,376</b>

#### 25. Bulk Purchases

Electricity	7,488,700	3,324,023
Water	4,406,056	3,971,930
	<b>11,894,756</b>	<b>7,295,953</b>

#### 26. Grants and Subsidies

KZ 282 UmNathuze Municipality	966,250	879,612
KZ 284 Umlalazi Municipality	548,264	404,888
	<b>1,514,514</b>	<b>1,284,500</b>

During the 2006/07 and 2007/08 financial year, the grants payable were for environmental health services for the function that was performed by the local municipalities.

# uThungulu District Municipality

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#### 27. General expenses

Included in general expenses are the following cost items :-

Fuel and oil	1,795,559	1,541,448
IDP operational externally funded projects	33,812,028	20,756,204
IDP operational internal funded projects	50,790,377	31,493,506
Publicity	1,025,773	914,679
Rent - Plant and vehicles	2,645,009	1,773,852
Telephone	1,074,006	1,048,491
External audit fees	1,297,033	1,016,068
Insurance	1,742,156	1,436,818
Subsistence & Travelling	940,360	758,258
Advertisements	803,010	386,210
Grants and Donations	483,359	21,535
Other general expenses	7,587,150	6,536,115
	<b>103,995,820</b>	<b>67,683,204</b>

#### 28. Cash generated from operations

Surplus for the year	49,215,460	71,532,989
<b>Adjustments for:</b>		
Loss on sale of assets	55,581	75,943
Interest received	(26,873,730)	(18,420,471)
Interest paid	7,856,385	7,541,376
Movements in provisions	32,716,560	(221,634)
Contribution to bad debt provision	3,066,528	172,314
Depreciation and amortisation	10,966,372	9,386,416
<b>Changes in working capital:</b>		
(Increase) in Inventories	(1,201,446)	(1,313,583)
(Increase) / Decrease in other debtors	(3,370,494)	(1,304,248)
(Increase) in debtors	(1,827,660)	(3,780,438)
(Decrease) / Increase in creditors	17,776,719	(3,624,398)
Increase in conditional and other grants	41,242,800	14,526,203
(Increase) in Vat	(8,429,004)	(455,611)
	<b>121,194,069</b>	<b>74,114,858</b>

#### 29. Cash and cash equivalents

Cash and cash equivalents included in the cashflow statement comprise the following statement of amounts indicating financial position:

Call investment deposits - Current portion	190,000,000	170,000,000
Bank balances	50,682,160	30,378,404
Cash on hand	3,200	3,200
	<b>240,685,360</b>	<b>200,381,604</b>

#### 30. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

##### Unauthorised expenditure

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There are no known incidences of unauthorised expenditure.

**Fruitless and wasteful expenditure**

There are no known incidences of fruitless and wasteful expenditure.

**31. Additional disclosure in terms of Municipal Finance Management Act**

**32.1 Contributions to organized local government**

Council subscriptions	257,872	191,833
Amount paid - current year	(257,872)	(191,833)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**32.2 Audit fees**

Current year audit fee	1,300,000	1,232,460
Amount paid - current year	(171,318)	(133,151)
Amount paid - previous years	(1,106,135)	(1,040,135)
<b>Balance unpaid (included in creditors)</b>	<b>22,547</b>	<b>59,174</b>

**32.3 VAT**

VAT inputs receivables and VAT outputs receivables are shown in note 8.  
All VAT returns have been submitted by the due date throughout the year.

**32.4 PAYE and UIF**

Current year payroll deductions	7,285,113	5,228,239
Amount paid - current year	(7,285,113)	(5,228,239)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**32.5 Pension and Medical Aid Deductions**

Current year payroll deductions and Council Contributions	5,877,261	5,204,080
Amount paid - current year	(5,877,261)	(5,204,080)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**32. Commitments**

**Commitments in respect of capital expenditure:**

# uThungulu District Municipality

## Annual Financial Statements for the year ended 30 June 2008

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#### 32. Commitments (continued)

##### - Approved and contracted for

- Infrastructure 88,878,690 32,619,445
- Other property, plant and equipment 33,197,794 1,938,081

**122,076,484 34,557,526**

- Approved but not yet contracted for
- Infrastructure - 7,760,628

**- 7,760,628**

#### This expenditure will be financed from:

- Government Grants 79,707,234 36,184,359
- Own resources 42,369,250 6,133,795

**122,076,484 42,318,154**

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Executive committee prior to 30th June. The majority of the capital projects include water infrastructure.

#### 33. Contingencies

##### Future legal fees

1. Contractor - outstanding invoice claimed (Matter pending)
2. Contractor (Matter pending)
3. Ex - employee - legal action (Matter in Durban High Court)
4. Contractor (Matter pending)
5. Contractor (Matter pending)

-	80,000
-	10,000
-	80,000
-	80,000
-	599,506
<b>-</b>	<b>849,506</b>

1. The municipality is being sued by a contractor for work that the contractor alleges to have completed.
2. The municipality is suing the contractor for poor performance on a project.
3. The municipality has legal action against an ex-employee that made an illegal investment.
4. The municipality is suing the contractor for incompletion of work on a project.
5. Dispute with the contractor, as the consultant increased the scope of work without prior approval from the municipality.

#### 34. Related parties

##### Related party transactions

##### Sub-Lease Payments

Uthungulu Financing Partnership

3,368,625 3,007,701

**uThungulu District Municipality**  
Annual Financial Statements for the year ended 30 June 2008

**Notes to the annual financial statements**

Figures in Rand	2008	2007
<b>34. Related parties (continued)</b>		
<p>uThungulu Financing Partnership is a partnership between uThungulu District Municipality, NIB9810 Trust and Nedcor. uThungulu District Municipality as at 30 April 2008 holds 99% and Nedcor and NIB9810 holds the balance of 1%. The uThungulu Financing Partnership was formed to facilitate the purchase of uThungulu House in order to provide offices for uThungulu District Municipality. In order to finance the purchase of uThungulu House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, uThungulu District Municipality is obliged to make bi-annual sub lease payments to the partnership to reimburse uThungulu Financing Partnership for the loan repayments made to Nedcor. The loan is payable over 20 year period (starting in 1998 - 2017), however uThungulu had the option to terminate the lease on 30 April 2008.</p>		
<b>35. Events after reporting date</b>		
<p>At the date of submission of the annual financial statements there are no known events.</p>		
<b>36. Comparison with budget</b>		
<p>The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).</p>		

## APPENDIX A

UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

[illegible]



**APPENDIX B  
UTHUNGULU DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

UTRANGULU DISTRICT MUNICIPALITY - FINANCIAL STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019									
Capitalisation									
	Opening Balance	Additions	Disposals	Closing Balance		Current	Disposals	Closing Balance	Carrying Value
Land and Buildings									
Infrastructure - In Construction	190,023,724	59,801,536	-	249,825,262				249,825,262	
Infrastructure	190,023,724	59,801,536	-	249,825,262					
Infrastructure Land Services	2,896,026			2,896,026		4,762,037			2,896,026
Infrastructure Solid Waste Services	40,879,890	32,390,060		40,879,890			23,610,166	17,069,502	32,360,060
Waste Site Remediation	-								
Waste Site Emergency	-								
Waste Site Emergency - Land	-								
Infrastructure Sewerage Services	18,668,358			18,668,358		979,233	8,826,565	9,741,793	
Sewerage Main & Puff	-								
Water Main & Purification	-								
Infrastructure Water Services	13,801,812			13,801,812		410,464	10,145,648	3,456,364	
Water Network	16,976,901			16,976,901		744,827	10,383,245	6,068,856	
Infrastructure Plant and Equipment	1,094,639			1,094,639		3,489	1,086,897		17,742
Infrastructure Electricity	2,418,402			2,418,402		-	2,419,402		
Other assets in construction	710,376	416,634	-	1,128,010				1,128,010	
Cemetery - Buildings	1,730,420	5,966,360		7,716,780				7,716,780	
UTHUNGULU Buildings				162,962				162,962	
UTHUNGULU Cemetery	141,100			141,100					9,151,852
Other assets	7,668,133	552,387	-249,188	7,973,312		1,081,901	-212,263	3,361,188	4,621,124
Motor Vehicles	6,572,665	1,362,977	-23,962	7,911,680		2,245,908	-18,547	4,634,402	3,377,488
Land and Buildings	20,114,114			20,114,114					20,114,114
Leasehold Property	8,550,000			8,550,000					8,550,000
Buildings	-								
Permanent Works - Buildings	-								
Cemetery Land	-								
Furniture, Fittings and Office Equipment	1,947,764	287,020	-49,367	2,185,397		332,486	-35,318	878,841	1,206,556
Office Equipment	1,971,542	123,055	-	2,094,597		236,797	-808	808,983	1,185,634
Furniture	-			1,083,863		167,438		277,989	815,964
Technical Equipment	-	117,028							
Plant and Equipment	976,854								
Total carried forward	337,874,840	101,184,002	-322,537	438,716,305		10,888,372	-266,966	68,703,228	572,013,877

APPENDIX C

UTHUNGULU DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

Carrying Value	Cost/Renewal				Accumulated Depreciation			
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Disposals	Closing Balance	
Executive & Council	3,748,050	95,343	-	3,841,393	1,667,450	-	1,390,494	2,450,899
Finance & Admin	31,945,557	7,860,116	322,537	39,483,135	1,910,748	406,872	2,317,618	37,165,517
Planning & Development	170,871	31,414	-	202,085	-	-	-	202,085
Community & Social Services	3,698,925	418,634	-	4,018,669	129,964	-	129,964	3,888,695
Public Safety	3,127,280	582,978	-	3,720,258	-	-	-	3,720,258
Waste Management	43,778,670	32,360,060	-	76,128,730	19,048,152	4,824,380	23,872,532	52,256,198
Water	230,147,798	58,801,538	-	288,949,334	22,990,768	5,713,737	28,704,503	261,244,831
Electricity	2,419,402	-	-	2,419,402	2,419,402	-	2,419,402	-
Waste Water	18,942,488	13,820	-	18,956,409	7,847,332	21,363	7,868,716	11,087,694
	337,874,840	101,184,002	322,537	438,718,305	58,003,812	10,988,372	68,783,228	372,013,077

UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF  
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

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UTRANGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008				
	2008	2008	2008	2008
	Actual Bal	Bud Amount	Variance	Variance
	Rand	Rand	Rand	Rand
Explanation of Significant Variance greater than 10% versus Budget				
Revenue				
Service Charges	30 277 891	32 758 000	-2 480 109	-8%
Regional Services Levies - Turnover	846 594	-	846 594	100%
Regional Services Levies - Remuneration	984 376	-	984 376	100%
Regional Services Levies - Remuneration	317 687	393 300	-75 613	-19%
Regional Services Levies - Remuneration	28 682 568	7 892 000	19 790 568	245%
Regional Services Levies - Remuneration	317 162	200 000	117 162	59%
Regional Services Levies - Remuneration	244 250 711	243 379 000	871 711	0.4%
Regional Services Levies - Remuneration	5 816 154	-	5 816 154	100%
Regional Services Levies - Remuneration	-	53 000 000	-53 000 000	-100%
Regional Services Levies - Remuneration	380 873 962	338 422 000	42 451 962	13%
Expenditure				
Executive & Council	-18 358 201	-22 141 000	3 782 799	-17%
Finance & Admin	-29 883 897	-29 415 000	-468 897	2%
Planning & Development	-19 298 061	-8 370 000	-10 928 061	108%
Community & Social Services	-11 642 366	-12 435 000	792 632	-6%
Public Safety	-4 428 800	-7 882 000	-3 453 200	10%
Environmental Protection	-2 302 799	-2 749 000	446 201	-16%
Waste Management	-13 186 162	-8 560 000	-4 626 162	35%
Electricity	-2 386 221	-2 178 000	-211 221	10%
Water	-17 082 339	-20 829 000	3 746 661	-18%
Water	-137 104 753	-18 843 783	-118 260 970	16%
Water	-259 857 492	-234 818 000	-25 041 492	11%

APPENDIX E(2)

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	Under					Variance	Explanation of Significant Variances greater than 5% versus Budget
	Additions Rand	Construction Rand	Total Additions Rand	Budget Rand	Variance Rand		
Property, Plant & Equipment	95,343		95,343	10,000	85,343.00	853%	Additional expenditure due to purchase of furniture for Councilors
Finance & Administration	1,290,158	6,569,956	7,860,115	11,843,000	-3,982,885.00	-34%	The balance of these funds has already been committed for the construction of the municipal building.
Planning & Development	31,414		31,414	40,000	-8,586.00	-21%	Savings.
Community & Social Services	-	418,634	418,634	380,000	38,634.00	10%	Additional expenditure for the Building at the Cemetery
Public Safety	582,878		582,878	-	582,878.00	100%	This was as a result of Grant funding received from the Provincial Government for 4 Trailers
Water	-	58,801,538	58,801,538	87,533,000	-27,731,462.00	-32%	The balance of these funds has already been committed for ongoing water projects.
Waste Management	-	32,350,080	32,350,080	20,000,000	12,350,080.00	62%	This is the adjustment of the Rehabilitation of the Solid Waste site in Empangeni
Waste Water	13,920		13,920	-	13,920.00	100%	This was an unvovided capital expenditure
	2,023,814	89,140,188	101,164,002	118,806,000	-18,641,998.00	-18%	

UTHUNGULU DISTRICT MUNICIPALITY: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Note: The Janissary & Subudillo were deployed with (and  
The following abbreviations from the original names and have replacement (Grant  
K2N - DOR = Department of Sports, Kuzushita Medal  
K2N - DOT = Department of Transport, Kuzushita Medal  
D1A = Department of Traditional & Local Government Affairs, DWA = Depart  
Department of Urban Affairs & Forestry

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